

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Develop a Risk-Based Decision-Making
Framework for Electric and Gas Utilities.

Rulemaking 20-07-013
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**REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON PHASE 1 TRACK
1 AND PHASE 1 TRACK 2 STAFF RECOMMENDATIONS**

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REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON PHASE 1 TRACK 1 AND PHASE 1 TRACK 2 STAFF RECOMMENDATIONS

Pursuant to the Administrative Law Judge's (ALJ's) June 4, 2021 and June 21, 2021 Rulings, TURN offers these reply comments on the California Public Utility Commission (CPUC or Commission) Staff's recommendations on Phase 1 Track 1 and Phase 1 Track 2 issues in the second Safety Model Assessment Proceeding (SMAP).

1. INTRODUCTION

The adoption of the SMAP Settlement Agreement (SA) by the Commission in D.18-12-014 identifies common requirements for the presentation of utility's risk-based decision-making. Phase 1, Track 1 of this proceeding, R.20-07-013, is focused on technical clarifications of the process identified in the SA. Appendix A of the ALJ's Ruling includes the recommendations of Staff for these clarifications and improvements. Additionally, the Commission adopted the Enhanced Oversight and Enforcement (EOE) process for PG&E's emergence from bankruptcy in D.20-05-053. Under the EOE, the utility is required to track and report on Safety and Operational Metrics (SOMs) adopted by the Commission. The Scoping Memo in this proceeding directed that Phase 1, Track 2 develop SOMs for tracking PG&E's performance consistent with the process outlined in the EOE. Further Track 2 was to consider any required improvements to the Safety and Performance Metrics (SPM) previously adopted by the Commission in D.19-04-020. Appendix B to the ALJ Ruling includes the SOMs and improvements to the SPM recommended by Commission Staff.

TURN continues to assert that the modifications outlined in TURN's Opening Comments to the Staff's proposal should be adopted. In addition, TURN offers these comments in response

to discrete arguments and issues identified by other parties in their Opening Comments. To the extent that TURN does not specifically address any individual argument offered in those Opening Comments, it does not mean that TURN necessarily agrees with that argument.

2. STAFF RECOMMENDATIONS ON PHASE 1, TRACK 1

2.1 Baseline

2.1.1 TURN Generally Agrees With SCE's Opening Comments on the Baseline Issue

The opening comments of TURN and SCE are generally in accord with respect to determining the baseline in calculating RSEs. Like TURN, SCE agrees that the actual and forecast risk reduction benefits from all mitigations prior to the GRC test year should be included in the baseline, whether or not those mitigation measures were previously authorized or exceed authorized funding levels.¹ In this respect, TURN expects that SCE would agree with TURN that the Staff Report's distinction between Type A and Type B measures is unnecessary. In addition, TURN² and SCE³ agree that the Staff's Report's reference in Type B to excluding incremental costs that exceed authorized level is inapposite. As SCE correctly points out, recorded costs are not used to calculate RSEs.

2.1.2 PG&E Generally Supports the Staff's Proposal But Raises a Concern about Using "Inherent Risk" to Set the Baseline that Appears to Be Based on a Misreading of the Proposal

PG&E states that it is generally supportive of the Staff's proposed methodology, but proposes adding another category of baseline measures, Type D.⁴

¹ SCE Opening Comments, p. 4.

² TURN Opening Comments, p. 6. Note 12.

³ SCE Opening Comments, p. 4.

⁴ PG&E Opening Comments, p. 3.

PG&E's additional category is unnecessary. PG&E claims, without explanation, that Staff's proposal would use "inherent risk score" as the baseline, meaning the level of risk if no control or mitigation were being used.⁵ TURN does not understand the basis for this interpretation. Staff's Type A refers to "all controls and mitigation measures and/or activities that a utility plans to implement prior to the beginning of the upcoming GRC test year."⁶ TURN does not understand how this can be interpreted to mean that baselines are to be calculated assuming *no* mitigations or control were being used. Because PG&E's recommended change is unnecessary and appears to be based on a misinterpretation of the Staff Report, it should not be adopted.

2.1.3 The Sempra Utilities' Baseless Objections to the Staff Report Should Be Rejected

Alone among the large IOUs, the Sempra Utilities claim they do not understand the Staff proposals and that more discussions are needed. The Sempra Utilities' views simply do not make sense and were wisely not reflected in the Staff Report. The Commission should continue to reject the Sempra Utilities' misguided positions.

The Sempra Utilities' first fundamental mistake is the claim that the Rate Case Plan (RCP) proceeding and its most recent decision, D.20-01-002, have any bearing on the issue of how RSEs should be calculated. RSE calculation – a particular element of quantitative risk analysis -- was addressed in the first S-MAP proceeding and specified in the Settlement adopted in D.18-12-014. As TURN pointed out in its opening comments, Rows 10 and 11 of that

⁵ *Id.*

⁶ This is equivalent to the phrasing that TURN proposed in its opening comments: "Account for all actual and forecasted risk reduction benefits in the baseline *associated with all controls and mitigation measures and/or activities to be performed before the GRC test year . . .*"

Settlement, to which the Sempra Utilities were a signatory, require that pre-mitigation risk scores “must take into account the benefits of any mitigations that are expected to be implemented prior to the GRC period under review in the RAMP submission” and those benefits should be based on data “supplemented by SME judgment” to determine those benefits.⁷ RSE calculation is not, and never has been, an issue in the RCP proceeding.

Thus, the Sempra Utilities’ efforts to claim that elements of the RCP somehow dictate how RSEs should be calculated are unfounded. For example, Sempra incorrectly argues that the fact that GRC cost forecasts are to use the last recorded year of data as the “base year” should mean that risk analysis and RSE calculation can only be based on recorded data.⁸ This contention is wrong. The above-quoted language from Rows 10 and 11 of the SMAP Settlement shows that Sempra itself has agreed that its risk analysis cannot just rely on recorded data but must be supplemented by SME judgment concerning expected future benefits. The Sempra Utilities make a huge and errant logical leap when they claim that the RCP direction for justifying forecast costs somehow governs the way *RSEs* are to be calculated in the risk analysis mandated in the entirely separate SMAP proceeding. Notably, Sempra raised arguments based on the RCP extensively in meetings with SPD Staff and TURN prior to its recent 2021 RAMP filing, and Staff wisely gave them no credence in the Staff Report.

In addition, the Sempra Utilities claim not to understand how to determine the mitigation and control activities that will be implemented prior to their GRC test year and how to calculate the benefits from those activities.⁹ Again, these contentions do not make sense. The Sempra

⁷ TURN Opening Comments, pp. 2-3.

⁸ Sempra Opening Comments, p. 4, note 4.

⁹ Sempra Opening Comments, pp. 5-6.

Utilities know better than anyone what risk reduction activities they intend to implement before the next GRC test year, as this is the subject of much advance planning and budgeting within the companies. In this regard, TURN continues to recommend, as it did in its opening comments (and consistent with SCE's comments), that the calculation of pre-mitigation risk scores not be unduly complicated by the Staff Report's distinction between Type A and Type B measures. All that matters for the RSE calculation is that all risk reduction activities prior to the test year be taken into account, whether or not they were previously authorized or exceed authorized levels. This is crucial because mitigation activities prior to the GRC test year will affect the RSE values for mitigations proposed in the GRC period and, hence, affect the cost-effectiveness of those proposed mitigations.

Furthermore, as to how to determine the risk reduction benefits from mitigations that are planned but not yet implemented at the time of calculating RSEs, the above-quoted language in the Settlement (that the Sempra Utilities signed and are bound by) supplies the answer: use SME judgment as necessary to supplement data reflecting past results. The exercise of estimating the risk reductions expected from pre-test year mitigations is no different from calculating risk reductions expected from mitigations proposed for the rate case period, which is a fundamental task of the risk analysis required by the D.18-12-014 Settlement.

In sum, the Sempra Utilities' arguments are completely without merit and do not deserve any further attention from the Commission

2.2 Foundational Programs

Protect our Communities Foundation argues that “[b]efore any meaningful discussion of a ‘threshold test’ may occur, the ‘foundational program’ concept should be uniformly

understood and delineated.”¹⁰ TURN agrees that the concept of “foundational program” and the degree to which related funding requests requires scoring is unclear.¹¹ TURN’s proposal to first better understand the universe of “foundational programs” and their proposed budgets would provide the information requested by PCF and would help the Commission and stakeholders to better define and delineate what is properly considered a foundational program.

Pending further data collection, TURN recommends that the Commission delay the adoption of any one threshold test for determining whether a risk score is required for a foundational program. The information requested by TURN would provide some clarity on the number and scale of these programs. This information would also help the Commission test the various threshold proposals. For example, PG&E proposes that a program that is required for operations but does not enable any mitigations need not be scored.¹² This seems reasonable, but additional data collection will confirm whether the Commission should adopt the proposal.

Further, TURN requests the opportunity for further clarity on PG&E’s portfolio approach to scoring foundational programs.¹³ Identifying a portfolio RSE for related mitigations and foundations may be reasonable (and would be consistent with TURN’s proposed approach) but identifying a single portfolio RSE for all related foundational mitigations would not provide a helpful data point. A single RSE that includes all mitigation benefits and all related costs of different projects would mask the impact of any one project within the score. Instead, the utility should present all of the different combinations of potential outcomes. Providing this slate of information will allow the Commission and stakeholders to have a clear picture of the total cost

¹⁰ PCF Opening Comments, p. 5.

¹¹ TURN Opening Comments pp. 7-8.

¹² PG&E Opening Comments, p. 5.

¹³ PG&E Opening Comments, p. 8.

of proposed mitigations and enable the Commission to identify the most cost-effective combinations of proposed mitigations.

PG&E presents the following example:¹⁴

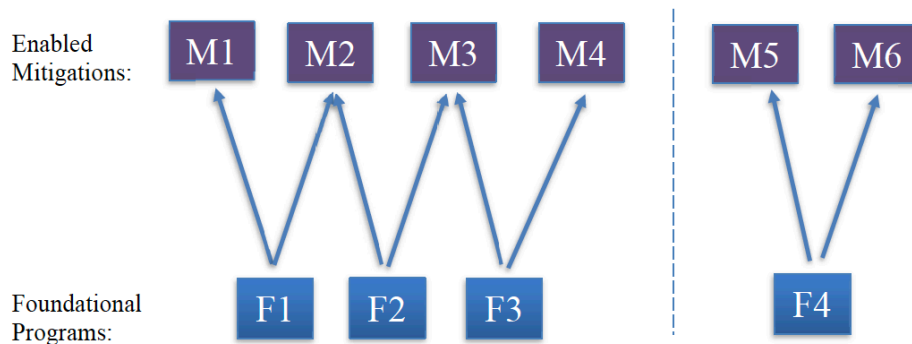


Illustration of Related Foundational Programs and their Mitigations

PG&E proposes that in addition to the Risk Score for each of the mitigations, M1, M2, M3 and M4, a single portfolio score be calculated for F1, F2 and F3.¹⁵ TURN recommends that in addition to identifying the “portfolio” score for F1, F2 and F3 the utility also score all potential combinations of programs. For example, the risk scores for implementing M1, M2, and M3 (including related foundational costs), the risk scores for implementing M1, M2 and M4 (including related foundational costs), the risk score for calculating M2, M3 and M4 (including related foundational costs, for example, F1 and F2 for M2), and so on until the utility has exhausted all possible combinations of programs.

2.3 Public Safety Power Shutoff

TURN does not have any substantive comments to make on the issue of Public Safety Power Shut Offs (PSPS). TURN would like to note, however, that “the decision tools outlined

¹⁴ PG&E Opening Comments, p. 6.

¹⁵ PG&E Opening Comments, pp. 8-9.

by Lesser and Feinstein used to balance PSPS risk against wildfire risk” highlighted by SCE were developed by Drs. Lesser and Feinstein outside of their work with TURN.¹⁶ TURN has not taken a position on those tools.

3. STAFF RECOMMENDATIONS ON SAFETY AND OPERATIONAL METRICS AND RECOMMENDATIONS ON PHASE 1, TRACK 2

3.1 Modifications to Proposed Safety and Operational Metrics

The SOMs proposed by Staff would include all outages including Major Event Days in the “Reliability Related SOMs.”¹⁷ Similarly, the Staff directs that wires down and outage related SOMs break out and report Major Event Days (MEDs) and non-Major Event Days separately.¹⁸ PG&E opposes including MEDs in the SOMs arguing that doing so makes the SOMs unattainable contrary to the Assigned Commissioner’s Ruling.¹⁹

Contrary to PG&E’s position, the final SOMs should include the MEDs. Excluding these days would exclude information on PG&E’s operations under more extreme circumstances and provide a significantly incomplete picture of the safety of PG&E’s operations.

PG&E’s success serving its customers is demonstrated by the provision of safe and reliable service both on a typical day and on MEDs when its system is most vulnerable. MEDs usually coincide with major storms and other weather events; events which PG&E argues are “beyond PG&E’s control and are not predictable.”²⁰ While the weather may be outside of PG&E’s control, the utility’s response to weather events is wholly within its control. TURN

¹⁶ SCE Opening Comments, p. 8.

¹⁷ Appendix B, p. iv.

¹⁸ Id., p. iv-v.

¹⁹ PG&E Opening, p. 15.

²⁰ PG&E Opening, p. 21.

agrees with staff that “a metric that measures failure of a utility’s assets on MEDs gives visibility to the vulnerability of the utility’s system to extreme weather conditions.”²¹ Ensuring that the system overcomes its vulnerabilities is key to PG&E’s ability to provide safe and reliable service in the future.

PG&E makes similar arguments to oppose the inclusion of PSPS-related SOMs arguing, in part, that the PSPS SOMs “measure events beyond utilities’ control.” Again, while the weather may be outside of the utility’s control, PG&E’s response to weather, especially its choice to deenergize its system is in its control. If PG&E is improving its system, the PSPS metrics over time should demonstrate that PG&E is able to manage its system in a manner that protects its customers from excessive PSPS events. Metrics related to PSPS are key indicators of PG&E’s ability to deliver energy to its customers consistent with safe, reliable and affordable service and should be included in the final SOMs adopted by the Commission.

²¹ Appendix B, p. 34.

4. CONCLUSION

For all of the foregoing reasons, TURN recommends that the Commission adopt the modifications outlined in TURN's Opening Comments on the Staff Reports.

Date: July 9, 2021

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